

UNBUNDLING/INTERCONNECTION ISSUES
CATEGORY: PUBLIC POLICY (PP)

<u>Issue Number</u>	<u>Description of Issue</u>
PP 8	<p>Network Disclosure</p> <p>A) Existing network disclosure rules, including requirements to disclose proprietary interfaces, may need to be examined to assure they reflect a multi-provider environment</p>
PP 9	<p>Privacy/Protection of Customer Proprietary Network Information (CPNI)</p> <p>A) Rules for access to and use of provider and customer information by end users and other providers, may need to be developed or modified to ensure the privacy of all parties in a multi-provider environment.</p>
PP 10	<p>Law Enforcement Wire Taps</p> <p>A) Existing guidelines (including recently passed legislation) governing the proper placement of legally obtained wire taps may need to be examined to assure it reflects a multi-provider environment.</p>
PP 11	<p>Settlements</p> <p>A) Current settlement processes may need to be examined for impacts of a multi-provider environment</p>
PP 12	<p>Customer Education</p> <p>A) Guidelines and requirements may be needed to educate providers and consumers on their interconnection opportunities and responsibilities, as competitive alternatives become available.</p>
PP 13	<p>Rights-Of-Way</p> <p>A) Rules, regulations and agreements concerning rights-of-way may need to be examined to assure they reflect a multi-provider environment.</p>
PP 14	<p>Essential Services</p> <p>A) Regulations, responsibilities and agreements on provision of essential services (e.g., 911 and Telecommunications Relay Service) may need to be examined for impacts of a multi-provider environment.</p> <p>B) Services requiring a database query in a multi-provider environment may need to be examined with regard to the following:</p> <ul style="list-style-type: none"> • Should the time for an expected response expire, who is responsible for assuring the call goes to police, EMS or fire, if that was the intended destination? • What restrictions should be put on a provider to ensure that access to emergency services is protected? <p>C) Policies on National Security/Emergency Preparedness (NS/EP) may need to be examined for impacts of a multi-provider environment.</p>

NOTE: The term "LEC" is used to indicate the existing local exchange network and services provider; on-LEC" refers to all other providers.

EXHIBIT C

IILC Issues and Related Activity Report

IILC Active Issues

#026, *Long Term Unbundling and Network Evolution*

Recent Regulatory Activity

- Arizona Corp. Comm. December 1994 approves rules for local exchange and intraLATA toll competition. The rules require intraLATA toll equal access by 7/1/96, a two PIC system, certification procedures for CLECs, mandatory participation in a universal service fund.
- Arizona July, 1995 Corp. Comm. adopted rules to allow local service competition. The rules authorize new market entrants in switched local and intraLATA toll services.
- Arizona August, 1995 TCG Phoenix, an affiliate of Teleport Communications Group, has asked the Corp. Comm. for authority to provide switched local service in the Phoenix area. TCG Phoenix is a partnership involving Teleport, Cox Communications and TCI.
- California April, 1995 PUC proposed rules for local competition on April 26, 1995. Proposed rules would require Pacific Bell and GTE to unbundle local loops, line-side ports, signaling links, signal transfer points, and service control points by Jan. 1, 1996. Number portability would be provided initially through call forwarding, direct inward dialing, or equivalent means. The rules envision the long-term solution to be development of a number portability database through cooperative efforts of LECs, CLECs, and IXCs. Parties have 30 days to respond. The PUC will issue rules after considering the comments.
- California July, 1995 The PUC set interim rules for local exchange competition. Bundled resale competition will begin 3/1/96. The Commission will address the rate for resale, interconnection, universal service, network unbundling and other local exchange competition issues in further hearings which it hopes to conclude by January 1, 1996.
- Colorado May 1995 The Colorado legislature passed a bill authorizing local service competition, effective July 1, 1996. The bill allows the Colorado Public Utilities Commission (PUC) to approve adjustments in residential rates that reflect the change in the gross domestic product-price index less a productivity adjustment set by the PUC. A Committee on Telecommunications Policy was established. The bill also establishes an advisory committee and a working group to propose local competition rules by January 1, 1996.
- Florida May 1995 The Florida legislature passed a bill allowing local exchange competition. Parties would have 60 days, starting July 1, 1995 to negotiate interconnection arrangements. Unbundling of the LEC network would start July 1, 1997, or when the LECs could provide interLATA service, whichever comes later.
- Florida July 1995 Teleport Communications group and MCI Metro have given notice to the Florida PSC that they will serve as local exchange carriers, under the new state law. Certificates allowing the two carriers to provide local service will be effective January 1, 1996.
- Georgia April, 1995 The Georgia legislature has passed and sent to the Governor a bill allowing local exchange competition, effective July 1, 1995. The PSC will establish implementation rules including unbundling and resale of services.

#026. Long Term Unbundling and Network Evolution

Recent Regulatory Activity - Continued

- Georgia, May 1995 MFS Communications Co., Inc. asked the Georgia PUC for authority to offer switched local services in the Atlanta area through its subsidiary MFS Intelenet, Inc. MFS already has a fiber network in place in the Atlanta area and plans to offer a full range of local exchange services and additional services, such as calling card, 800 service, voice mail, customized billing, management reports, etc. The PSC has adopted interim rules on procedures for seeking local certificates, but it did not expect to receive an application this soon. The new Georgia law leaves interconnection arrangements to negotiations between the LECs and the new service providers.
- Hawaii, July 1995 **The Governor recently signed into law a new telecommunications bill that opens the local exchange market to competition. Upon a bona fide request from "an entity seeking to provide intrastate telecommunications", each carrier must provide interconnection, nondiscriminatory access to its poles, ducts, conduits, and rights of way, nondiscriminatory access to network functions and services, including resale and sharing; and unbundled access to network functions.**
- Illinois, December 1994, Ameritech proposed to the DOJ, a trial of its "Advanced Universal Access Plan" seeking a waiver of the MFJ to provide originating interLATA service in the Chicago LATA in exchange for unbundling its network and providing interconnection to competing carriers
- Illinois, April, 1995 The DOJ approved the Ameritech plan for wholesaling its network services to competitors and reselling interLATA services on a trial basis in Chicago and Grand Rapids, Michigan. The plan must still be approved by Judge Greene and is contingent on rulings by the involved state commissions on local service competition. Ameritech must also demonstrate to the DOJ that a climate for local competition has been created in the two trial cities
- Illinois, April, 1995 The Illinois Commerce Commission ordered Ameritech to unbundle its network and interconnect with CLECs (Certified Local Exchange Competitor). The order proposes new rules and directs the Commission's staff to examine certain issues raised by local service competition. The order is another step toward the implementation of Ameritech's plan
- Illinois, May 1995 A T & T asked the Illinois Commission for authority to provide local exchange service in the Chicago area. It wants to resell all local exchange services.
- Illinois August 1995 **LDDS Worldcom sought authority from the Illinois and Michigan Commissions to provide local service in the Chicago and Grand Rapids area.**
- Iowa March, 1995 McLeods Telemanagement, Inc. has been authorized to provide facilities-based switched local service in Cedar Rapids. It is the first competitive carrier to receive this authority in Iowa. McLeods and U S WEST are directed to negotiate an agreement on interconnection issues such as number portability, interconnection rates and compensation for terminating traffic

#026. Long Term Unbundling and Network Evolution

Recent Regulatory Activity - Continued

- **Iowa, May, 1995** The Iowa legislature passed a bill allowing local competition and providing for price cap regulation for larger LECs. Price regulation is available to larger LECs after approval of tariffs that offer unbundled access to "essential facilities." The Iowa Utilities Board must initiate a rulemaking proceeding on local competition rules by September 1, 1995. The rules would cover certification, unbundling, interconnection, and access to LEC rights-of-way. The law requires "reciprocal, cost-based compensation" for termination of traffic between LECs and competitors. LECs must provide interim number portability until the board determines that a final plan is economically and technically feasible.
- **Kentucky, PSC, Jan. 1995** rules to provide dialing parity on a 2-PIC basis for intra-LATA toll service by end of 1997
- **Maryland August 1995** Teleport Communications Group has filed with the Maryland PSC for authority to offer competitive local residence service. It plans to offer local switched services in the Baltimore LATA.
- **Michigan, PSC, October 1994** authorizes U S Signal Corp to provide local exchange service January, 1995 U S Signal asked the PSC to prescribe interconnection arrangements. February, 1995 PSC mandates reciprocal compensation and interim number portability rates. PSC also will start a generic proceeding on interconnection issues on June 1 to conclude by March 1, 1996 to address permanent arrangements for unbundling, mutual compensation and number portability
- **Michigan, March, 1995** MCI Metro received authorization to provide local exchange service in twenty exchanges in the Detroit area.
- **Michigan, May 1995** Teleport Communications Group received authority to provide local exchange services in Michigan. It plans to offer operator services, directory assistance, lifeline, 900 blocking, and custom calling features within its 120 mile Detroit network, and plans to resell some of Ameritech's services. Also, A T & T applied for authority to offer competitive local exchange service in the Grand Rapids area. Initially it plans to be a re-seller.
- **Minnesota, PSC** mandates intra LATA dial 1 - equal access by February 15, 1996
- **Minnesota, May 1995** The Minnesota legislature passed a bill that would permit local exchange competition by August 1, 1995. Interim rules would apply initially, but the PUC must approve final regulations by August 1, 1997. LECs with 50,000 or more subscribers must provide interconnection to competing carriers. The bill also provides for alternative regulation for incumbent LECs.
- **Nevada August 1995** The Nevada PSC granted authority to provide nonswitched local service to Phoenix FiberLink, the first competitive access provider (CAP) to apply in Nevada. Phoenix FiberLink expects to begin service in a few months.
- **New Hampshire, May 1995** The New Hampshire legislature passed a bill authorizing local exchange competition by December 31, 1996. The PUC is authorized to allow entry into the local market if the area is serviced by a LEC with 25,000 or more access lines and if entry would be "consistent with the public good."

#026, Long Term Unbundling and Network Evolution

Recent Regulatory Activity - Continued

- New Jersey, Jan. 1995 MFS Intelnet requests authority to provide local switched service and seeks co-carrier status
- New York, October 13, 1994, NY PSC approves the Rochester Open Market Plan to become effective Jan. 1, 1995
- New York, Jan. 24, 1995 MFS and NYNEX sign an interconnection agreement, pending PSC approval, to include mutual compensation and improved number portability
- New York, Feb., 1995, CableVision Lightpath, Inc. and NYNEX sign an interconnection agreement allowing CableVision to provide local exchange service to its cable customers. The agreement provides for reciprocal compensation for terminating calls and provides for interim number portability through use of remote call forwarding
- New York, Feb., 1995 PSC proposed state-wide application of the interim local number portability system adopted as part of Frontier's Open Market Plan. It also authorized a feasibility study of long term solutions to the number portability problem. It further suggested a framework for achieving interconnection agreements and reciprocal compensation arrangements. It hopes to conclude meetings on the details of these proposals by the end of March
- New York, March, 1995 NYNEX and a group of CAPs, IXCs and other carriers are planning to conduct a trial of number portability in NYC and Rochester. The trial is an attempt to go beyond interim number portability. It is scheduled to begin in February 1996
- New York, July 1995 **An industry task force issued requests for proposals. The task force selected the response from MCI metro and several equipment manufacturers for trials in Manhattan. U. S. Intelco Networks and its partners were selected to run trials in the Rochester area. The PSC will review the plans of the two groups and make recommendations to the full commission, perhaps in August.**
- North Carolina, Feb., 1995 Bills authorizing the PSC to adopt rules governing interconnection, rates for interconnection, unbundling of networks, number portability, and universal service policies have been introduced in the North Carolina House and Senate. No hearings have been held yet.
- North Carolina, April 1995 The legislature enacted a law that permits full local exchange competition. Under the law, local exchange competition begins on July 1, 1996, or on the date that incumbent LEC comes under price cap regulation, whichever occurs first. The North Carolina Commission must also find that local competition is in the public interest. The Commission is authorized to define rules for interconnection, unbundling, number portability, local service resale, and universal service requirements. The Commission must adopt interim rules on universal service by the end of 1996. Permanent rules on universal service must be in place by July 1998
- North Carolina, April 1995 **IntelCom Group, Inc. (ICG) has begun construction of a 35 mile network connecting the cities of Greensboro and Winston-Salem.**

#026. Long Term Unbundling and Network Evolution

Recent Regulatory Activity - Continued

- **North Carolina, August 1995** The North Carolina Utilities Commission recently adopted interim rules regarding certification of CLECs and interconnection of the CLECs' and LECs' networks. The Commission is seeking comment on local exchange issues by October 4, 1995 and a hearing is scheduled on universal service in Feb. 1996.
- **Ohio, Dec 1994**, MFS Intelenet applied for a license to provide local switched service and asked the PUC to address co-carrier issues such as number portability and reciprocal compensation
- **Ohio, April 1995** The staff of the Ohio PUC has drafted a comprehensive set of proposals to implement local competition. The proposal calls for unbundling of the local network, true number portability, resale of services, and cost-based, tariffed reciprocal compensation for terminating traffic. The draft rules will be subject to public comment. Unbundled network categories include: local access, switching, transport and other functionalities.
- **Ohio, August 1995** The Ohio Public Utilities Commission gave Time Warner Communications (TWC) permission to offer local telephone service to residential and business users in 37 of Ohio's 88 counties. The ruling cleared one of several obstacles TWC faces in its plan to start service in Ohio by mid-1996. According to a spokesperson, this is TWC's largest filing to offer local telephone service. Besides other conditions, Time Warner's ability to provide service in the state hinges on whether it can agree on interconnecting its network with those of existing local telephone companies. Time Warner Communications, a unit of Time Warner Inc., now provides local telephone service in Rochester, NY, and plans to offer service in Manhattan by yearend 1995.
- **Ohio, August 1995** The Ohio PUC approved MFS Intelenet's application to provide switched local service in 62 counties served by Ameritech. Intelenet is the first CLEC licensed in the state. The PUC plans to start a rulemaking on local exchange competition in September 1995 which could take as long as 18 months.
- **Oregon, Dec 1994**, MFS Intelenet filed with the PUC to provide switched local service, seeks co-carrier arrangements such as interconnection, number assignment, meet point billing, shared platforms for 911 and reciprocal compensation. MCI Metro and Electric Lightwave have also filed to provide switched local service.
- **Pennsylvania, May 1995** Eastern TeleLogic Corp (ETC) has asked the PUC for authority to provide local exchange service in the Philadelphia area. ETC will use its 230 mile SONET network and seeks interconnection to the unbundled LEC network, a "bill and keep" compensation arrangement for terminating traffic, and asked the Commission to develop a long term solution for number portability. MFS, Teleport and MCI also have petitions to provide local service pending

026. Long Term Unbundling and Network Evolution

Recent Regulatory Activity - Continued

- **Pennsylvania**, July 1995 An Administrative Law Judge recommended to the PUC that MFS Intelenet be given authority to provide switched local service in the Pittsburgh and Philadelphia areas and co-carrier status. The recommended ruling would allow MFS Intelenet to interconnect with Bell Atlantic. The PUC is likely to review the judge's decision before it becomes final.
- **South Carolina**, August 1995 The PSC has granted a certificate to American Communications Services to provide intrastate private line and special access services. It is the first CAP to be certified in South Carolina. A working group representing industry participants and the Commission's staff has been formed to resolve issues involved in developing local exchange competition in the state.
- **Tennessee**, Feb. 1995 Rival bills opening the local exchange market to competition were introduced into the Tennessee legislature
- **Tennessee**, July 1995 Acting under the provisions of a law passed this year authorizing the PSC to certify competitive access providers, the PSC granted six companies authority to enter the state's local exchange market. The approved providers are Time Warner AxS, Hyperion of Tennessee L.P., MCImetro, MFS, Signal Communications, and an affiliate of IntelCom Group. The PSC has still to develop rules on interconnection and other local exchange competition issues.
- **Texas**, 1995 Legislation allowing local competition via resale competition pursuant to tariff approved within 190 days of 9/1/95 Six year network build-out requirements for IXC's with > 6% share of state long distance market (A T & T, MCI, Sprint) Only 40% of their local service offering may be resold LEC service Unbundling rules, LEC network costing and pricing study due 4/1/97 Interim number portability by 11/1/95 Imputation by 12/1/95 IntraLATA equal access prohibited until Southwestern Bell may enter interLATA market Basic service basket subject to rate cap for at least four years PUC sets rate range for somewhat competitive services.
- **Utah**, Feb. 1995 The Utah legislation enacted the Telecom Reform Act which provides for local exchange competition and price cap regulation The PSC may certify local exchange providers, effective May 1, 1995, and can establish competitive zones on a geographic or on a service related basis A LEC will be given pricing flexibility when it faces competition for a particular service U S WEST will go through a final rate case which must be started by May 1, 1997 Then its rates will be frozen for 3 years, beyond that, rates may be increased using an indexing method The PSC must adopt rules governing intraLATA toll and local service competition by December 31, 1997
- **Utah**, August, 1995 Electric Lightwave, Inc., and Phoenix FiberLink have been certified by the PSC to provide local exchange service. ELI stated it seeks to offer local switched services, Centrex, switched dataPBX and shared-tenant services, as well as special access, private line and interexchange services.

#026. Long Term Unbundling and Network Evolution

Recent Regulatory Activity - Continued

- Virginia, Feb. 1995 The legislature passes a bill allowing exchange competition and empowers the CC to establish rules for competitive entry and local exchange interconnection. The Governor signed the bill February 23, 1995.
- Virginia, August 1995 The Virginia State Corp. Commission removed a restriction that prevented the lcs from providing intra-LATA toll service. ICs certified in Virginia may enter the intraLATA toll market on October 1, 1995.
- West Virginia, August 1995 The PSC has created a task force to address local exchange competition issues. It has developed 44 questions to be addressed by the task force during a series of fall and winter meetings.
- FCC Docket 91-346, "Inquiry into Intelligent Networks" FCC requested ex partes. The seven RBOCs did theirs in March, 1995. The Co-Champions of Task Group 026 did an ex parte on March 21, 1995.
- FCC Docket 95-20, "Computer III" In this remand docket, the FCC seeks comments on the effectiveness of current nonstructural safeguards and on other unbundling proceedings. Comments due 4/7/95, replies due 4/28/95. Comments were filed 4/7/95. An extension of time was granted for reply comments, due May 19, 1995.
- FCC RM 8614, March 7, 1995 MFS petitions the FCC to adopt rules requiring Tier 1 LECs to offer the unbundled loop to state-certified local exchange competitors. Comments were filed on 4/10/95 and replies on 4/25/95.

Related Recent Industry Forum Activity

- NOF Issue #217, "Tandem Switching Provider" Develop agreements on Installation, Testing, Maintenance and Network Management Guidelines for the NOF Reference Document. Issue is tabled pending TSP (Tandem Switch Provider) participation. **Issue is still tabled.**
- NOF Issue #219, "SS7 Interconnection Additional Tests" Modify existing NOF Test Plan to include additional requirements to establish compatibility between LEC networks serving the same geographical area. NYNEX will provide generic test scripts for review by next meeting (5/8-5/11). Determination will need to be made if tests apply to EC-EC, EC-IC, IC-IC and/or EC-Wireless. Issue carried over to July 10th NOF. **NYNEX contributions in progress.**

#038. Call Forwarding Control Capabilities for End Users and ESPs

#044. AIN Access by Non-LEC Resource Element

Recent Regulatory Activity

- FCC Docket 91-346, "Inquiry into Intelligent Networks" FCC requested ex partes. The seven RBOCs did theirs in March, 1995. The Co-Champions of Task Group 026 did an ex parte on March 21, 1995.

#045. Series Circuits on Selected Telemessaging Subscribers

Recent Regulatory Activity

- US Court Appeals overturns FCC Physical Collocation requirement (6/10/94)
- FCC reaffirmed most of its expanded Interconnection policies in an order released 7/24/94, but ordered virtual collocation, not physical
- FCC issued an NPRM on implementation of "split-billing" for certain LEC facilities shared by multiple access customers. Comments due February 1, 1995 and replies due February 16, 1995.

#046. Delivery of Intra-LATA (NPA) 555-XXXX Dialed Number to Service Provider

Related Recent Industry Forum Activity

- INC Issue #044, "Fictitious 800-555 Numbers". A need exists to set aside a block of fictitious 800-555 numbers to be used by the entertainment & advertising industry. One number (800-555-0199) recommended for use. *Final Closure 4/7/95.*
- ICCF, Issue #277, "Access Arrangement for 555 Line Numbers". A Workshop was created to address viable 555 network arrangements and develop an ICCF Document. Editorial subgroup reviewed 5/26 draft of the "555 Technical Service Interconnection" document at June 14-15 mtg. Substantial changes were made in document. Focus is on what telcos might offer to a 555 assignee. Language covering interLATA call process for interconnecting networks was removed at June meeting. Focus is now on arrangement when 555 assignee and end user are both on the same network. Next subgroup mtg. is July 10 via conference call to develop text regarding LEC screening and how it may be different from translations, and next face to face meeting for editing revised document is August 22-23 in Virginia. Progress report at ICCF meeting is July 12, 13 in San Diego. **Significant changes were made to the document at last editorial session. A conference call is scheduled for 9/22/95, 10:00am-12:00noon ET. Kelly Daniels will set up the conference bridge. Agenda for conference call is to discuss Billing and Arrangement Section (Section 5), and Existing Network Capabilities Section (Section 6). Another face to face meeting is scheduled for 10/11-10/12 in either Chicago or Florida.**

#046. Delivery of Intra-LATA (NPA) 555-XXXX Dialed Number to Service Provider

Related Recent Industry Forum Activity - Continued

- OBF Issue #1038 MSG. 555 on NPA-NXX V&H Coordinates File. At OBF #48. Issue referred to the INC for input on notification of line level information to be used in billing. INC response: "Applications for line number assignments and their associated rating and billing will vary among 555 service providers. One on one negotiations will be required between local service providers and 555 service providers." At **OBF#51. ICCF presentation requested on 555 line number assignments, ordering, regulatory, network items to be given at OBF#52. MSG committee has questions regarding the service. Additional items identified for further discussion at OBF#52.**
- INC Issue #046. "Modification to 555 NXX Assignment Guidelines" - Guidelines need to be revised to include requirements preventing the purchase, sale or lease of 555 numbers. Proposed text for existing guidelines will be submitted at INC 17 for Initial Closure. **Agreement reached at INC 18 (8/4/95) to retain INC Issue #046 in Initial Closure pending a true-up of language for consistency with INC Issue #059.**
- INC Issue #058 "Modification to 555 NXX Assignment Guidelines" to address multiple reservation requests received during the open enrollment process (U.S./Canadian number reservation conflicts). Contributions related to the activation timeframe and extension requests under review. Conference call on June 20, 1995. **Conference call took place on 8/10/95. Proposed resolution statement drafted. Issue to be submitted for initial closure at INC 19 (9/11 - 9/15/95 in San Francisco).**
- INC Issue #059 accepted and assigned to INC Resource Management Workshop. Issue relates to the purchase and sale of numbers. Issue is broader than just 555 numbers, as in INC Issue #046. Proposed text for resolution of INC Issue #046 to be shared with the INC Resource Management Workshop for consideration for possible inclusion in all assignment guidelines. Proposed text agreed to and to will be included in applicable INC documents. Agreement reached at INC 18 (8/4/95) to accept for Initial Closure. Next INC 9/11-9/15/95. **Issue will remain in Initial closure until modifications are made to all guidelines.**

#048. Client Controlled Call Screening of a Forwarded Line"

Related Recent Industry Forum Activity

- INC Issue #040. "Call Forwarding ANI II", a new ANI II prefix is being requested to indicate the call being placed has been forwarded, to enable ICXs to block unauthorized calls to (i.e., 0+, 950, international). Issue went to Initial Closure 4/7/95. Consensus was reached not to assign ANI II digit pair for remotely activated call forwarding for toll fraud prevention since alternate solutions exist. *Final closure INC 17 6/30/95.*

#049 Trigger Usage in a Multi-Provider Environment

#050 LNN Trigger Provisioning and Subscription

#051 Operations, Administration, Maintenance and Provisioning (O A M & P) Functionality Capability Access in a Multi-Provider Environment

#052 Criteria for Definition and Placement of Mediation Functions

#053 Application, Control and Management of Mediation Functions Between Multiple Service and Network Providers

#054 Management of Network Interactions Among Multiple Service Providers

#055 ISDN Feature Information

Other Recent Legislative Activity

Pressler Bill, June 1995 On June 15, 1995 the Senate passed their bill by a 81-18 vote. The bill will most likely be considered in the House in July. Overall, the Senate bill allows LECs to provide information services, manufacturing, cable services, interLATA services and alarm services, but only through separate subsidiaries. The bill also contains numerous other provisions, including those regarding universal service, numbering administration, cable/telco cross ownership, and interLATA interconnection requirements. The bill allows LECs to enter in-region interLATA markets when (1) barriers to local exchange competition are dismantled, as outlined in a 14 point "competitive checklist", and (2) approval is given by the FCC after consultation with the Justice Department. Immediately upon enactment, RHCs could provide out-of-region interLATA service. The measure would eliminate rate-of-return regulation, and "dominant" LECs in each area must negotiate interconnection agreements with potential competitors. It permits manufacturing after fulfilling the measure's competitive checklist for opening up the local loop.

- HR1555 August, 1995 On August 4, 1995 the House approved the bill by a 305-117 vote. The bill drastically reduces regulations on everything from cable television to local and long distance telephone services.

Other Related Recent Industry Forum Activity

- ICCF Issue #275, "Technical Interconnection and Routing Issues Associated with the Implementation of New Non-Geographic Codes" Workshop to develop a document describing access arrangements for new non-geographic services including existing interconnection access arrangements for wireline/wireless carriers, description of potential interconnection/access arrangements and a recommended minimum set of interface attributes. Initial draft reviewed at the 3/23 mtg. 2nd draft reviewed at the June 13-14 mtg. in N J. **Workshop meeting held Aug. 23-24 in Virginia to work on Translation Matrix. Next face to face meeting scheduled 10/10 and 10/11/95.**
- ICCF Issue #063, **Modification of NXX guidelines to Reflect Entry of New Numbering Resource Consumers"** Sections 3.0 and 8.4 of INC 95-0407-008 are of concern to new and potential market entrants and require review and possibly change. Issue accepted and assigned to a new CO NXX Workshop to be chaired by Jim Deak (NANPA) and Pam Kenworthy (MFS). Initial conference call scheduled for 9/21/95, 1:00-3:00 PM ET, 908-336-6000, PIN 6267.
- OBF Expands Its Role The OBF Primary Contacts, meeting in special session at OBF #50, have agreed to accept CLEC issues in the Forum. With this change, the Forum will now address issues between one LEC and another. A number of CLEC companies attended OBF #50, and several issues related to CLEC concerns were accepted by the O & P and Billing Committees. The addition of CLECs to the OBF is expected to impact virtually every aspect of the Forum process.
- OBF Issue #1120/O&P "Ordering Traditional Signaling to Non-Conforming End Offices for 500 Access Services" Permit the ordering of traditional signaling to non-conforming end offices for 500 Access Service. Newly accepted at OBF #50 and assigned to O & P Committee. **O & P Committee agreed to rename 8/9 NON Field on TQ to SAC NON Field to accommodate the ordering on traditional signaling to non-Conforming End Offices for all SACs. Issue referred to ASR Committee.**
- OBF Issue #1122/O&P "Unbundled Local Loops" A standardized method of ordering unbundled local loops and the exchange of customer account information to support directory and E911 information is needed. Issue presented at OBF #50. Issue accepted conditionally and assigned to the O & P Committee pending a final determination of how the needs of CLECs issues could best be addressed within the forums process. **Issue discussed at OBF#51. MFS presented their straw proposal which included data elements and new order forms. It was agreed to form a Task Force to work the issue. Task Force Meeting scheduled for 9/25/95-9/28/95 in Dallas (GTE to host).**

Other Related Recent Industry Forum Activity - Continued

- **OBF Issue #1140/BLG** "MECAB Document Language Revision for CLEC Status" Revise the language in the MECAB document to incorporate the CLEC interconnection and billing relationships and remove any geographic restrictions. Issue accepted at OBF #50. Issue statement discussed at OBF#51(7/95). Additional homework items were identified and assigned for further review.
- **OBF Issue #1141/BLG**"To Bill Intrastate/IntraLATA and Local Usage on CABS Switched Access Bill" The Intrastate/IntraLATA and local usage should be billed on the Switched Access CABS bill. Unique identification of local usage is desired at the end office and summary levels of a CABS bill. Issue accepted at OBF #50 on a conditional basis. Issue submitted into Initial Closure at OBF#51 (7/95).
- **OBF Issue #1142/BLG** "Access Customer (AC) Notification of Multiple Exchange Carrier Billing Arrangements" With the emergence of CLECs, new meet point billing situations may arise between the involved LECs/CLECs. A process needs to be developed to address the exchange of information between the involved LECs/CLECs, the identification of impacted ACs, and the subsequent notification to the impacted ACs. Without this new process, the involved LEC/CLECs may not know which ACs are being impacted and the impacted ACs may not receive any advance notifications prior to the receipt of the first meet point bill. The process needs to be developed and included in the MECAB document. Issue accepted at OBF #50. Issue discussed at OBF#51. Draft resolution statement proposed. Further discussion scheduled.
- **OBF Issue #1149/MSG** "500 Service Record Types." With the advent of 500 Services there is a need for an industry standard for billing and identifying 500 service. Issue accepted at OBF # 50 for further discussion at OBF #51 (7/24-27). Issue discussed at OBF#51. Action items identified for companies to investigate use of records for billing these services.
- **OBF Issue #1062/ASR** "500 Access on End Office Detail Form." In Final Closure at OBF # 50 (5/95).

STATE OF VIRGINIA)
) ss
COUNTY OF FAIRFAX)

AFFIDAVIT OF DAVID P. JORDAN

David P. Jordan, being duly sworn, deposes and states as follows:

1. I am employed by MCI Telecommunications Corporation (MCI) as an Advisory Engineer in Technical Security, Network Systems Engineering, responsible for coordinating MCI's fraud prevention activities with other telecommunications organizations and MCI's customers. My office address is 1650 Tysons Blvd., McLean VA 22102. For the past ten years, I have provided strategic technical advice to numerous departments within MCI. These consultations include design specifications for network access security, product integrity, and fraud prevention methodology for MCI, its marketing "Alliance Partners" and subsidiaries.

2. I serve as liaison to the telecommunications industry regarding technical toll fraud related issues. For the past several years I have represented MCI's anti-fraud policy at the International Telecommunications Union (ITU), the Alliance for Telecommunications Industry Solutions' (ATIS') committee T1M1 (Internetwork Operations, Administration, Maintenance, and Provisioning), the Network Operations Forum (NOF), and industry organizations such as the Interexchange Carrier Industry

Committee (ICIC), the Toll Fraud Prevention Committee (TFPC), the Cellular Telecommunications Industry Association (CTIA), and at this Commission and various state utility commissions. I am one of the original founders of the Interexchange Carrier Industry Committee's Toll Fraud Subcommittee and have been co-chairman of that subcommittee since its creation in 1992. I was the interexchange carrier (IXC) co-chair of the TFPC at its quarterly meeting in July, 1995. I have written anti-fraud articles that have been published in the US and in over 150 countries, in three languages.

3. I am submitting this Affidavit in connection with this Commission's proceedings in CC Docket No. 95-20, Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services. In this affidavit, I will address that portion of the Reply Comments of Pacific Bell and Nevada Bell (Pacific Bell) that responds to the discussion in the Affidavit of Peter P. Guggina, attached as Exhibit B to MCI's Comments in CC Docket No. 95-20, as to the respective roles of RBOCs (Regional Bell Operating Companies) and IXCs in the prevention of telecommunications fraud, and the relative responsibilities of RBOCs and IXCs in accepting the cost burdens associated with that fraud. (See Pacific Bell Reply Comments at 54-60.) As explained below, Pacific Bell, in responding to the Guggina Affidavit, misrepresents the facts as to its actual accomplishments in fraud prevention.

I.

RBOCs Have Not Effectively Addressed the
Fraud Implications of Their Products.

4. The major focus of this affidavit is the local exchange carriers' (LECs') poor performance in fraud prevention and the implications of such failure for the effectiveness of industry technical fora generally in establishing standards in the public interest. Pacific Bell's self-congratulatory comments notwithstanding, LECs -- including, but not limited to, RBOCs -- typically do not effectively address the fraud implications of their products. When, as is typical, the costs of fraud associated with particular RBOC products fall upon long distance carriers, RBOCs have in the past made only marginal attempts -- if any at all -- to effectively prevent the fraudulent use of those RBOC products.

5. RBOCs are not motivated to make the required efforts to prevent such fraud, simply because it is not the RBOCs themselves who bear the major costs of such fraud. As monopolists, the RBOCs can simply impose upon their customers the costs of fraud arising from the use of RBOC products, and thus are not as much concerned with even their own fraud losses as are those providers who have active competitors.¹ As a result, a major portion of the

¹ As a result of the RBOCs' casual acceptance of fraud costs, their rates, including interstate access rates, were significantly higher under rate-of-return regulation than they otherwise would have been. Those inflated rates then became, with relatively minor adjustments, the "going in" rates under price cap regulation, leaving plenty of "head room" to allow for

telecommunications fraud losses that are experienced now are due to characteristics of LEC services and features. The RBOCs have had to be dragged into participation in the issue of product security by those entities that actually suffer the effects of fraud, primarily the IXCs. When the RBOCs do make efforts to control such fraud, those actions are often greatly delayed in comparison to how quickly prevention measures could be implemented.

6. The Pacific Bell comments do not address the shortcomings of the RBOCs' processes in the industry forums and in their own internal implementation of fraud prevention techniques. The RBOCs simply do not provide to interexchange carriers the information that IXCs need to prevent fraud that occurs because of the nature of RBOC products. In particular, Pacific Bell typically does not point out to its IXC customers the fraud potentials of its products; it does an inadequate job of providing to its IXC customers the call-related information needed for the IXCs to control that fraud potential; and it does not accept the liability for the fraud that does occur as a result of those two failures on its part.

7. In any other industry, when a product is recklessly provisioned and it causes damages to another company, the

continued excessive fraud costs at no expense to RBOC shareholders but at great cost to ratepayers.

reckless service provider is held liable for such damages. In a competitive environment, such behavior is not tolerated or even considered. Only a monopoly would be comfortable with a business case scenario where it was presumed that company "A" (the victim) would carry the fraud losses on a product designed, built and operated by company "B". In the remainder of this affidavit, I will address the specifics of monopoly LECs' avoidance of both fraud prevention responsibility and liability for the costs of fraud.

II.

RBOCs Dominate the Relevant Standards Forums, Such As TFPC.

8. TFPC is an important forum for developing cross-industry standards for toll fraud prevention. Unfortunately, for the public users of telephone networks and for those entities that bear most of the fraud costs of RBOC products, the RBOCs dominate this forum. My own experience in the TFPC clearly supports the statements made in the Peter Guggina affidavit with respect to RBOC domination of the standards and forum processes. Given their common interests and their major influence in such forums, RBOCs clearly can delay or block any position that they oppose, whether the decision process is by vote or by "consensus." Even in a "consensus" process, the representatives of non-LEC entities can be, and often are, forced to agree to a result that is far less than optimal. This happens because the non-LECs are under so much more marketplace pressure to come up with solutions. They often

must choose between "consenting" to a recommendation that is far less than satisfactory, or achieving no progress at all on the issue. The pressure to consent to the RBOCs' and other LECs' unsatisfactory "solution" is greatly magnified by the competitive pressures the non-LECs face, compared to those faced by RBOCs and other LECs.

9. The LECs' failure to prevent fraud starts with the LEC (primarily RBOC) dominance of the standards process. The standards processes can be important in designing mechanisms to identify and address fraud problems. Even though the fraud-control responsibility and the financial liability should in the end rest on the provider of the product, the industry as a whole can use the standards process as a mechanism to fight fraud. For example: if the RBOCs had agreed long ago to the IXCs' proposals of a standard method for identifying and labelling forwarded calls, the IXCs would have been able much earlier to identify call-forwarding fraud as a major fraud mechanism. But the RBOCs apparently did not care about the related fraud, since the IXCs were bearing the cost anyway, so they were not motivated to adopt a standard that would have identified forwarded calls. Thus, the fraud has persisted much longer than it would have if the standards process had been more responsive to the IXCs' suggestions.

10. Pacific Bell's discussion of telecommunications fraud

prevention begins by labelling as "incredible" Peter Guggina's reference to Pacific Bell's misleading its customers and lack of good faith in the area of telecommunications fraud prevention.² Guggina's comments refer to Pacific Bell's offering of fraud-prone products, such as call forwarding, while failing to point out to its customers that there is significant fraud potential associated with such products. Guggina's basic point is that Pacific Bell and other RBOCs often agree on fraud-prevention recommendations in forums like TFPC, and then do not actually implement those recommendations within their networks.

11. Guggina's comments are entirely consistent with my own experience with RBOCs' actions with respect to fraud prevention -- neither aspect of Guggina's referenced comments are "incredible." Pacific Bell and the other RBOCs typically refuse to acknowledge the fraud potential of their products or to take responsibility for the harm caused by such fraud. When they are called upon to remedy such problems, they typically propose solutions that are disproportionately and unnecessarily burdensome to other segments of the industry but convenient for themselves and that are less effective than solutions that would impose burdens more equitably. Finally, if, despite RBOC obstructionism, industry fora such as the TFPC recommend effective, fair solutions to a problem such as fraud, the RBOCs delay the implementation of such recommendations. They often

² Pacific Bell Reply Comments at 54.

defend such foot-dragging on bogus technical infeasibility grounds -- grounds that would have precluded any recommendation by the TFPC in the first place if there had been legitimate technical feasibility problems.

III.

RBOCs Favor Solutions That Are Most Convenient for Them, Even Though They May Not Solve the Fraud Problems of Those Bearing the Costs of Fraud

12. Pacific Bell's tariff filings adding Remote Access Call Forwarding to its Custom Calling Services³ and wholesale call forwarding⁴ are good examples of Pacific Bell's not pointing out or accepting responsibility for fraud associated with those products. When a Pacific Bell customer has the ability to order his/her phone calls to be forwarded to a different phone, without being physically present at his/her own telephone, there is an opportunity for someone other than the customer to illegitimately forward those calls. A fraud perpetrator can forward the calls in such a way as to impose costs -- which are never paid for -- on long distance carriers that carry the calls. In the case of wholesale call forwarding, the RBOC sells the call forwarding service on a wholesale basis to some entity, which in turn sells

³ Pacific Bell Cal. PUC Tariff No. A5, Section 5.4.3.B.1.g (Custom Calling Services), originally filed June 6, 1994, Advice Letter No. 17006 (Cal. PUC).

⁴ Pacific Bell Cal. PUC Tariff No. A5, Section 5.4.7 (Custom Calling Services - Wholesale), originally filed March 7, 1995, Advice Letter No. 17326 (Cal. PUC).

a call-forwarding service to the ultimate user. In that case, the RBOC typically does not even know who the ultimate user is, so there would be no way for either the RBOC or the long distance carrier that carries calls to recognize the difference between a legitimately forwarded call and one for which the carrier will never get paid. Clearly, the LEC that creates such services -- not the long distance carrier that has no way of knowing that it is carrying illegitimate calls -- should accept the responsibility for the costs arising from the fraud occasioned thereby. Such a liability acceptance provision should have been included in the tariff, but was not.

13. Call forwarding is a good example of a product that illustrates how little energy the RBOCs, including Pacific Bell, are willing to exert when it comes to solving a fraud issue that generates revenue for the LECs at the expense of the IXC's. The RBOC-favored solution for their Call Forwarding product is the Signalling System 7 (SS7) detection concept. This solution requires all of the participating LECs to provide certain information -- including the fact that the call has been forwarded -- in the data carried by Signalling System 7. But not all the RBOCs actually provide the required data via their SS7 systems. More fundamentally, many smaller IXC's may not even have SS7 capability. This solution, preferred by the RBOCs, would leave the smaller IXC's greatly exposed, with the fraud flowing from the larger carriers, which have the capability, to the

smaller ones, which may not. MCI and other major IXCs were not enthusiastic about this recommendation because it did not solve the issue for the IXC industry as a whole. Even beyond the failure of this "solution" to address the whole problem, the point that the RBOCs continually miss is that the IXCs do not think it should be their responsibility to monitor fraud originating from LEC products, especially when there are more effective solutions that are much less burdensome. MCI and other IXCs should not be expected to spend development dollars to design and install a massive national fraud detection system based on SS7 to detect fraud from LEC products.

14. Pacific Bell suggests⁵ that because the information identifying forwarded calls is available in the initial address message ("IAM") in the SS7 environment, MCI or other IXCs can upgrade their networks to deny call-forwarded calls if they choose. There are three significant problems with this suggestion. First, not all RBOCs actually provide the necessary information in the IAM. Second, as Pacific Bell casually points out in its own statement, making use of that information requires IXCs to "upgrade their networks" (at their own expense, obviously) to protect themselves against fraud that originates with an RBOC service. The RBOCs have unlocked the IXCs' barn doors, and Pacific Bell, at least, expects the IXCs to find all of the horses that escaped and pay for a way to relock them in

⁵ Pacific Bell Reply Comments at 60.

the barns. And there is a third fundamental problem with this RBOC-favored SS7 "solution" to the call-forwarding fraud problem: RBOCs are rapidly moving from switch-based operation of services, such as call forwarding, to Advanced Intelligent Network (AIN)-based operations. AIN is an adjunct platform, outside of switches, in which the call forwarding feature will be implemented in the near future. Under present AIN architecture plans, the SS7 system will not have access to any indication that a particular call has been forwarded. Therefore, there will be no way for the SS7 systems to inform an IXC that a call has been forwarded. So the SS7 solution, with all of its current shortcomings, also has a limited lifetime of just a few years. Once AIN is implemented, another "solution" will have to be found.

15. In Pacific Bell's Reply Comments⁶, it states that it has implemented an improved system to "early identify call forwarding fraud." However, the system it has actually implemented incorporates a delay of approximately two to four hours, or more. It has not implemented the SS7 system that it mentions, which could indeed be "near real time." The several-hour delay associated with the implemented system is far from adequate to prevent call forwarding fraud effectively. Pacific Bell has not, as it suggests, "saved the industry millions of dollars from call forwarding fraud."

⁶ Id. at 57.